Manchester Building Society Group (“the Society”) Results for the year ended 31 December 2017

	2017	2016
	£000	£000
Total operating income	9,580	9,210
Administrative expenses and depreciation	(7,955)	(8,663)
Operating profit before impairment	1,625	547
Impairment losses	(2,376)	(3,448)
Financial Services Compensation Scheme levy	(29)	(67)
Loss for the period before taxation	(780)	(2,968)
Tax expense	-	(382)
Loss for the period	(780)	(3,350)
Total assets	304,191	382,304

The increase in total operating income included a release of £0.5m of provisions following the completion of a remediation project. This was partially offset by an underlying £0.2m reduction in interest income reflecting the continued planned reduction in the size of the loan book which fell 13% from £289m to £251m, largely mitigated by a reduction in funding from £340m to £265m.

Administrative expenses reduced by £0.7m in the year mainly as a result of reduced professional fees and cost reductions following a detailed review of the Society’s cost base. There were, however, additional legal fees associated with the claim against Grant Thornton LLP, the Society’s previous external auditors.

Impairment losses (net) were £2.4m. There was a charge of £2.8m, principally relating to the €58m Spanish lifetime book which was adversely affected by property values. Other items included £0.4m credit following an increase in the value of the Society’s head office building.

The Society’s reserves reduced in 2017 by £0.8m to negative reserves of £10.0m.

The Society continues to have a strong liquidity position.

The 2017 accounts have been prepared on a going concern basis of accounting and, as with the 2016 accounts, set out a “material uncertainty” regarding the long-term future of the Society.

Strategic future and capital position

The Society met all regulatory requirements throughout the year on a total capital basis, but did not meet the qualitative standards for the level of Common Equity Tier 1 (“CET 1”) regulatory capital.

The Board continues to discuss and consult with the PRA on the strategic future and capital position of the Society. In ongoing dialogue with the PRA, we continue to consider further the potential measures for addressing the shortfall to the CET 1 capital requirements.

Regulatory compliance of second charge loan portfolios

During 2017 the Society completed a project to ensure regulatory compliance of two acquired second charge loan portfolios.

As at 31 December 2017, the redress provision on these accounts was £0.1m (2016: £1.7m).

Legal claim against Grant Thornton UK LLP

The Board continued to take legal advice regarding the Society's claim for damages against the previous external auditors, Grant Thornton UK LLP. The trial commenced in January 2018 with judgment not expected for several months.

Permanent Interest Bearing Share ("PIBS") coupon payments April 2018

As a result of the shortfall against qualitative standards for the level of CET 1 regulatory capital, the requirements under CRD IV article 141 regarding capital conservation, mean the Society may be prohibited from making the PIBS coupon payments due in April 2018. A further announcement will be made in due course regarding the April PIBS coupon payments.

2017 Annual Report & Accounts

The accounts for the 12 months ending 31 December 2017 are available to view on the Society's website:

http://manchesterbuildingsociety.co.uk/Main/FinancialInformation

Enquiries

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